

AMENDED IN ASSEMBLY MARCH 29, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1456

Introduced by Assembly Member Mullin

February 23, 2007

An act to add Chapter 12.5 (commencing with Section 14990) to Part 5.5 of Division 3 of Title 2 of the Government Code, relating to intellectual property.

LEGISLATIVE COUNSEL'S DIGEST

AB 1456, as amended, Mullin. Office of Intellectual Property.

Existing law permits various state agencies to enter into contracts and agreements, create liabilities, and develop, own, and control the use of intellectual property developed by the state.

This bill would establish the Office of Intellectual Property in the Business, Transportation and Housing Agency. The agency would be responsible for tracking intellectual property generated by state employees and by state-funded research, developing a database to track intellectual property, establishing and updating guidelines for use by state agencies in administering their intellectual property, developing an outreach campaign informing state agencies of their rights and abilities concerning intellectual property, and developing sample invention assignment agreements and sample language for licenses or terms-of-use agreements for use by state agencies. The bill would define terms that apply to the function of the agency, and would make findings and declarations regarding intellectual property.

~~This bill would require that intellectual property policies, established on and after January 1, 2009, meet certain requirements regarding rights and uses of the research or invention. It would also require that state~~

~~agencies or departments submit an annual report regarding royalties earned pursuant to the agency's or department's contracts, grants, or agreements to the office.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Chapter 12.5 (commencing with Section 14990) is added to Part 5.5 of Division 3 of Title 2 of the Government Code, to read:

CHAPTER 12.5. OFFICE OF INTELLECTUAL PROPERTY

14990. The Legislature finds and declares all of the following:

(a) The state is home to many of the world's top research universities, national laboratories, and leading-edge high technology companies that generate significant intellectual property.

(b) It is in the interest of the state to ensure that the results of state-funded research are promptly developed and protected, and where appropriate, to make the research available in the public domain.

(c) The commercialization of technology developed with the investment of taxpayer dollars in the form of contracts, grants, and agreements could generate public benefit, including, but not limited to, state revenues, favorable pricing, revenue sharing, and reinvestment into research.

(d) It is in the interest of the state to facilitate, promote, and enhance technology transfer programs that will facilitate the transfer of technology into the marketplace for the public benefit.

(e) The Legislature supports the use of efficient models to develop and streamline infrastructures, policies, and processes for the management of intellectual property developed under state funding in order to stimulate economic development in the state while, at the same time, minimizing costs of administering policies in this area.

(f) People of the state should derive a substantial public benefit from state investment in research, including the development of new technologies, the commercialization of the product of

1 state-funded research and the jobs created from these types of
2 research.

3 (g) It is the intent of the Legislature that the rights of state
4 agencies to track and manage intellectual property created with
5 any state funds, including march-in rights, as specified, shall be
6 interpreted so as to promote the benefit to the public.

7 14990.1. The Office of Intellectual Property is hereby
8 established in the Business, Transportation and Housing Agency,
9 and is authorized to enforce the guidelines specified in this chapter
10 and any research agreement the office may develop.

11 14990.2. Unless the context otherwise requires, the definitions
12 in this section govern the construction of this chapter:

13 (a) "Agency" means Business, Transportation and Housing
14 Agency.

15 (b) "Computer programs" means those programs that are
16 automatically protected by copyright law, and may be made
17 available to research communities or the public through means
18 that include, but need not be limited to, open source licensing or
19 dedication to the public domain. If further investments are needed
20 to refine the program to make it more useful, proprietary licensing
21 may be appropriate.

22 (c) "Databases" means compilations of data, typically generated
23 from research, sometimes from one source, but often combined
24 from many sources.

25 (d) "Intellectual property" means intangible assets that are
26 subject to statutory protection under applicable patent, copyright,
27 and trademark law. Intellectual property includes, but is not limited
28 to, inventions, industrial designs, identifying marks and symbols,
29 electronic publications, trade secrets, and literary, musical, artistic,
30 photographic, and film works.

31 (e) "Net revenue" means gross royalties and license fees.

32 (f) "Office" means the Office of Intellectual Property.

33 (g) "Patentable inventions" means discoveries that are, or may
34 be, patentable and that advance science and enable new useful
35 applications, notably including therapeutics and diagnostic tools
36 or products, and discoveries that enable new useful applications.
37 These discoveries are often patented and licensed in a manner that
38 will promote the development and availability of products
39 embodying the invention.

1 (h) “Research articles” means publishable scientific articles
2 protected by copyright law.

3 (i) “Research tools” means inventions that broadly facilitate
4 subsequent research, including both methods, such as Polymerase
5 Chain Reaction (PCR), a technique for amplifying DNA to
6 facilitate cloning and sequencing, and products, such as specific
7 cell lines, such as embryonic stem cells, DNA clones, or antibodies.

8 14990.3. The Office of Intellectual Property shall perform, but
9 is not limited to, all of the following functions:

10 (a) Track intellectual property generated by state employees
11 and state-funded research.

12 (b) Develop a database that includes, but is not limited to,
13 tracking intellectual property by category of protection, date of
14 creation, owner of intellectual property, grantee, state agency or
15 granting entity, sources of funding, and status of licensing,
16 including invention utilization updates.

17 (c) Establish and periodically update guidelines for use by state
18 agencies in administering intellectual property, including, but not
19 limited to, the following guidelines:

20 (1) Policies concerning uniform contract terms for management
21 of state-funded intellectual property.

22 (2) Policies concerning the criteria for determining which
23 products should be placed into the public domain.

24 (3) Factors that state agencies should consider when deciding
25 whether to sell an intellectual property or license it to others.

26 (d) Develop an outreach campaign informing state agencies of
27 their rights and abilities concerning intellectual property.

28 (e) Develop sample invention assignment agreements that state
29 agencies can consider if they believe it is necessary to secure the
30 rights to potentially patentable items created by their employees
31 on worktime using state resources.

32 (f) Develop sample language for licenses or terms-of-use
33 agreements that state agencies can use to limit the use of their
34 intellectual property by others to only appropriate purposes.

35 ~~14990.4. (a) This section shall apply to intellectual property~~
36 ~~policies established on and after January 1, 2009.~~

37 ~~(b) Intellectual property contracts, grants, and agreements~~
38 ~~entered into by a state agency shall meet the following criteria:~~

39 ~~(1) Permit grantees to own intellectual property rights from~~
40 ~~state-funded research, except where a state agency determines that,~~

1 in appropriate cases, the intellectual property rights shall be
2 dedicated to the public domain, provided that a state agency can
3 utilize a process established under paragraph (1) of subdivision
4 (e) of Section 14990.3 to specify that intellectual property rights
5 shall be dedicated to the public domain.

6 (2) ~~Require that grantees, including institutions, individuals, or~~
7 ~~both, provide a plan describing how intellectual property will be~~
8 ~~managed for the benefit of California and the advancement of~~
9 ~~science.~~

10 (3) ~~Require that grantees, including institutions, individuals, or~~
11 ~~both, make research tools developed with any state funds widely~~
12 ~~available to other nonprofit research institutions for their own~~
13 ~~research purposes, to the extent that resources exist to supply the~~
14 ~~research tool and the research tool is being used in accordance~~
15 ~~with existing federal laws governing research tools.~~

16 (4) ~~Require diligent efforts by grantees to develop state-funded~~
17 ~~intellectual property subject to the federal Patent Act into~~
18 ~~applications and products that benefit the public, except where a~~
19 ~~state agency determines that, in appropriate cases, the intellectual~~
20 ~~property rights shall be dedicated to the public domain.~~

21 (5) ~~Reserve the right to use the intellectual property by, or on~~
22 ~~behalf of, the state for research or noncommercial purposes.~~

23 14990.5. (a) ~~This section shall apply to intellectual property~~
24 ~~policies established on and after January 1, 2009.~~

25 (b) ~~With respect to any subject invention in which a grantee has~~
26 ~~acquired title under this chapter, the state agency under whose~~
27 ~~funding agreement the subject invention was made shall have the~~
28 ~~right, in accordance with procedures specified in regulations~~
29 ~~adopted pursuant to this chapter, provided that these regulations~~
30 ~~shall promote, and not hinder, the availability of the state's rights~~
31 ~~under this subdivision, to require the contractor, an assignee, or~~
32 ~~exclusive licensee of a subject invention to grant a nonexclusive,~~
33 ~~partially exclusive, or exclusive license in any field of use to a~~
34 ~~responsible applicant or applicants, upon terms that are reasonable~~
35 ~~under the circumstances.~~

36 (c) ~~If the contractor, assignee, or exclusive licensee refuses the~~
37 ~~request, the state agency may grant the license itself,~~
38 ~~notwithstanding the contract, grant, or agreement, if the state~~
39 ~~agency determines that action is necessary based upon one or more~~
40 ~~of the following factors:~~

1 ~~(1) The contractor or assignee has not taken, or is not expected~~
2 ~~to take, within a reasonable time, effective steps to achieve practical~~
3 ~~application of the subject invention in that field of use.~~

4 ~~(2) To alleviate health or safety needs that are not reasonably~~
5 ~~satisfied by the contractor, assignee, or their licensees.~~

6 ~~(3) To meet requirements for public use specified by state~~
7 ~~regulations, and these requirements are not reasonably satisfied~~
8 ~~by the contractor, assignee, or licensees.~~

9 ~~(d) The state agency shall give to the grantee or licensee notice~~
10 ~~of its determination and the basis on which it was made. The state~~
11 ~~agency shall not exercise its rights described in this section if the~~
12 ~~grantee or licensee takes diligent action promptly to cure the~~
13 ~~deficiency and that deficiency is cured sooner than 60 days from~~
14 ~~receipt of notice, except that a longer period may be mutually~~
15 ~~agreed upon by the state agency and licensee. A state agency may~~
16 ~~exercise its rights at any time in the event of a public health or~~
17 ~~safety emergency.~~

18 ~~14990.6.— (a) This section shall apply to intellectual property~~
19 ~~policies established on and after January 1, 2009.~~

20 ~~(b) For state-funded patented inventions where state funding is~~
21 ~~not minimal, state agencies and state grantees, contractors,~~
22 ~~assignees, and licensees shall grant exclusive licenses for therapies~~
23 ~~and diagnostics only to organizations with plans to provide access~~
24 ~~to resultant therapies and diagnostics for uninsured California~~
25 ~~patients. In addition, these licensees will agree to provide to~~
26 ~~patients whose therapies and diagnostics will be purchased in~~
27 ~~California by public funds the therapies and diagnostics at a cost~~
28 ~~not to exceed the federal Medicaid price. The state agency may~~
29 ~~make access plans available for review by the Office of Intellectual~~
30 ~~Property annually.~~

31 ~~14990.7.— (a) Every contract, grant, or agreement for research~~
32 ~~funded by a grant from a state agency shall require that, if a revenue~~
33 ~~stream develops from a state-funded patented invention, the state~~
34 ~~agency shall receive a royalty from that revenue, provided that the~~
35 ~~royalty is proportional to the state investment and payable on net~~
36 ~~revenue.~~

37 ~~(b) When royalties are limited by application of the federal~~
38 ~~Bayh-Dole Act, all revenue derived from royalties shall be~~
39 ~~deposited into a fund within the granting state agency. The revenue~~
40 ~~shall be reinvested into the research program funded by the grant,~~

1 ~~invested into further research, or invested into education in the~~
2 ~~area researched.~~
3 ~~(e) State agencies or departments shall submit an annual report~~
4 ~~regarding these royalties to the Office of Intellectual Property.~~
5 ~~14990.8. This chapter shall not apply to intellectual property~~
6 ~~agreements governed by the California Stem Cell Research and~~
7 ~~Cures Bond Act (Chapter 3 (commencing with Section 125290.10)~~
8 ~~of Part 5 of Division 106 of the Health and Safety Code).~~

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